

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION FOR A) CASE NO. AVU-E-02-7
MODIFICATION TO THE RESIDENTIAL)
AND SMALL FARM ENERGY RATE)
ADJUSTMENT CREDIT.) ORDER NO. 29126
_____)**

On August 30, 2002, Avista Corporation filed an Application seeking modification of the residential and small farm Energy Rate Adjustment Credit. Avista proposed that the credit be increased from 0.337¢ per kilowatt-hour (kWh) to 0.347¢/kWh effective October 12, 2002. The purpose of the energy rate adjustment credit is to pass through the estimated benefits of the Residential Exchange Settlement Agreement between Avista and the Bonneville Power Administration (BPA) to qualifying electric residential and small farm customers. In the Notice of Application and Modified Procedure issued September 9, 2002, the Commission solicited comments regarding Avista's Application. Order No. 29111. No comments were received other than those submitted by Commission Staff. In this Order, the Commission approves Avista's Application to increase the Energy Rate Adjustment Credit effective October 12, 2002.

THE RESIDENTIAL EXCHANGE SETTLEMENT AGREEMENT

The Northwest Regional Power Act established a Residential Exchange Program to provide benefits to residential and small farm consumers of Pacific Northwest utilities. The Settlement Agreement between Avista and BPA settles the Parties' rights and obligations for the Residential Exchange Program for the 10-year term of the Agreement, October 1, 2001 through September 30, 2011. Under the Settlement Agreement, Avista received rights to 90 average megawatts (aMW) of benefits from the federal hydropower system beginning October 1, 2001. Avista receives the 90 aMW in the form of both monetary and firm power sale benefits that are expected to total \$3,310,988.

Monetary Benefit: Avista receives 42 aMW (29 aMW Washington, 13 aMW Idaho) of the 90 aMW of benefits in the form of a monthly monetary payment. The amount of the payment is determined by taking the difference between BPA's Forward Flat-Block Price Forecast (\$38/MWh) and the residential load base rate at 100 percent load factor (\$19.71/MWh) multiplied by the annual amount of energy. The energy amount of the monetary benefit is fixed

for the first five years of the contract, October 2001 through September 2006. BPA shall, no later than October 1, 2005, notify Avista of the amount of monetary benefit expressed in annual aMW, for which payments will be made to Avista during the period October 2006 through September 2011.

Firm Power Sale Benefit: The Settlement Agreement gives Avista 48 aMW (33 aMW Washington, 15 aMW Idaho) of firm power benefits. In September 2001, Avista elected to terminate the Firm Power Sale Agreement and convert it to monetary benefit for the first five years.

Benefit True-up: Avista noted that the benefits credited to customers are different than the actual benefits received from BPA under the Settlement Agreement due to differences in actual and estimated retail loads. Also, BPA has a Cost Recovery Adjustment Clause (CRAC) that has three components: "load-based" CRAC, "financial-based" CRAC, and "safety-net" CRAC. The initial 42 aMW of monetary benefit is subject only to the safety-net CRAC component. If the safety-net component is triggered, the amount of benefit received from BPA is reduced. Furthermore, BPA has determined that a terminated Firm Power Sale Agreement converted to monetary benefit (as Avista has done) is subject to all three CRAC components. In its filing, Avista proposed an adjustment to true-up the difference between the benefits credited to customers and the actual benefits received from BPA during the first contract year, October 1, 2002 through September 30, 2002.

ENERGY RATE ADJUSTMENT CREDIT

The proposed rate credit of 0.347¢/kWh is based on estimated benefits for the second contract year of the 10-year Agreement, which covers the period October 1, 2002 through September 30, 2003, as well as an estimated true-up for the first contract year. Avista proposed to pass this credit through on a uniform cents per kilowatt-hour basis to all qualifying customers served under Schedules 1, 12, 22, 32, and 48. When factoring this modified credit into customer rates, the bill of a residential customer using 1,000 kWh per month would decrease by 5.54%, or \$3.47 per month. The percentage decrease for a customer using 600 kWh per month would be 5.62%, or \$2.08 per month. The decrease for a customer using 1,400 kWh per month would be 5.50%, or \$4.86 per month. The Company requested an effective date of October 12, 2002, which is 12 months from the date that the rate credit was initiated on October 12, 2001.

STAFF COMMENTS

Based upon its analysis, the Commission Staff recommended approval of Avista's proposed Energy Rate Adjustment Credit of 0.347¢/kWh. The Staff believes that Avista has applied the previously approved methodology for determining the credit as the Commission intended and Staff's audit has verified the true-up amounts. Avista's estimate of the Energy Rate Adjustment Credit amounts and energy sales subject to the credit have proven to be accurate as evidenced by the true-up amounts and the small adjustment in the amount of the credit.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case No. AVU-E-02-7, including the comments and recommendations of Commission Staff. The Commission finds that the Energy Rate Adjustment Credit will benefit qualifying residential and small farm customers and provide appropriate benefits from regional power as contemplated by the 1980 Pacific Northwest Electric Power Planning and Conservation Act. Based on the record before us, the Commission finds it reasonable to increase the Energy Rate Adjustment Credit from 0.337¢ per kilowatt-hour (kWh) to 0.347¢/kWh effective October 12, 2002. We also find it reasonable for Avista to continue using the same accounting, interest and true-up treatment as established by Order No. 28869 in Case No. AVU-E-01-13.

ORDER

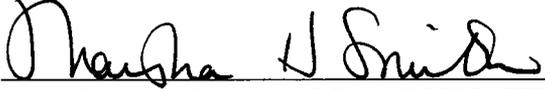
In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission does hereby approve Avista's Application to increase the Energy Rate Adjustment Credit from 0.337¢ per kilowatt-hour (kWh) to 0.347¢/kWh. This modification shall be effective October 12, 2002.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

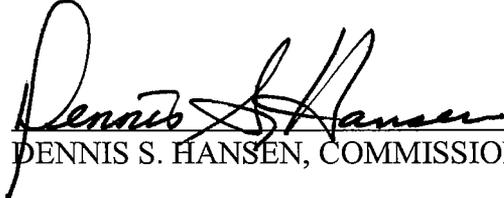
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 7th
day of October 2002.



PAUL KJELLANDER, PRESIDENT



MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Jean D. Jewell
Commission Secretary

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